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SUBJECT: JAPANESE MORNING PRESS HIGHLIGHTS 02/15/06

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Livedoor instructed affiliates to fabricate financial data to conceal its window dressing for business year to September 2004

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- (2) Japanese Communist Party and Social Democratic Party join hands in search of past dream

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Sankei:

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- (2) Local residents have high hopes for Kobe Airport, but . . .

3) Prime Minister's Official Residence (Kantei)

Prime Minister's schedule, February 14

NIHON KEIZAI (Page 2) (Full)
February 15, 2006

09:01

Cabinet meeting in the Diet building. Finance Minister Tanigaki stayed afterward. Then met with Agriculture Minister Nakagawa.

09:55

Met with members of the LDP's US Beef Import Issue Investigation Team, including Lower House member Toshikatsu Matsuoka, at the Prime Minister's Official Residence.

16:20

Deputy Foreign Minister Nishida.

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17:49

Met with State Minister in charge of Economic, Fiscal, and Financial Policy Yosano.

18:38

Met at Hotel Okura with Takashi Imai, honorary chairman of Nippon Steel Corp.; Hiroshi Okuda, chairman of Toyota Motors; and Yoshifumi Nishikawa, president of Japan Post.

20:53

Arrived at official residence.

4) Koizumi sends message to Kim Jong Il underlining his dialogue policy course in bid to find breakthrough before his term of office expires

ASAHI (Page 4) (Full)
February 15, 2006

Prime Minister Junichiro Koizumi has sent a message to North Korean leader Kim Jong Il, expressing his strong desire to pave the way for normalizing diplomatic ties between the two countries through dialogue before his term of office as Liberal Democratic Party (LDP) president expires in September. The step apparently also reflects his judgment that settling bilateral issues requires political decisions by the two top leaders. Following the failure of the recent intergovernmental talks, held for the first time in three years and three months, calls are growing stronger in the government and ruling coalition for applying pressure on the North. Time is running out for Koizumi to advance his dialogue strategy.

The message called for mutual efforts for solving problems in accordance with the Japan-DPRK Pyongyang Declaration. The Declaration specified an early normalization of diplomatic relations between the two countries. The message was designed to play up Tokyo's intention to abide by the Pyongyang Declaration and the prime minister's dialogue policy course.

The September 2002 and May 2004 Koizumi-Kim talks have brought about a series of positive results, such as the Pyongyang Declaration and the repatriation of abductees and the handover of their families to Japan. "The settlement of issues depends on decisions by Kim Jong Il," a government source said.

The Japan-North Korea government-to-government talks held earlier this month ended by just confirming each other's standpoints without making any visible progress. A sense of disappointment is looming over the government and the ruling bloc. LDP Secretary General Tsutomu Takebe said on Feb. 13, "The dominant view in the LDP is that the government should discuss seriously the option of applying pressure on the North." Chief Cabinet Secretary Shinzo

Abe also told a press conference yesterday, "We must study thoroughly what kind of pressure is best."

Koizumi is finding it difficult to ignore hardliners' views.

Unless Kim Jong Il exhibits a willingness to respond positively to Koizumi's call for dialogue through the next intergovernmental talks and other venues, it will be difficult for Koizumi to find a breakthrough in the deadlocked relationship with the North in

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his remaining term in office.

5) Japan to propose deploying US intercept missiles for metro defense

SANKEI (Page 1) (Abridged)
February 15, 2006

Japan and the United States will enter into intergovernmental consultations for US Forces Japan's deployment of Patriot Advanced Capability-3 (PAC-3) ground-to-air missiles in Japan to defend Tokyo and its environs with an antiballistic missile defense (MD) shield. The two countries will also integrate their information networks, such as Aegis-equipped vessels and US early warning satellites. In addition, Japan is going to lay down an MD system with the United States late in fiscal 2006.

In October last year, the Japanese and US governments released an interim report on USFJ realignment. The interim report clarifies that the United States will deploy proactive defense capabilities, such as the PAC-3 and the Standard Missile-3 (SM-3). It also incorporates an agreement to share radar intelligence in order to detect ballistic missiles.

In response, a deputy director of the US Missile Defense Agency (MDA) will arrive in Japan tomorrow for consultations with the Defense Agency. Meanwhile, the Japanese and US governments will hold a meeting of officials late this month to exchange views for intelligence sharing, with US Ambassador to Japan Schieffer and the MDA director attending on the US side and the Joint Staff Council chairman and others on the Japanese side.

In the talks, Japan will ask the United States to employ PAC-3 missiles to shield the Tokyo metropolitan area and other urban areas if and when there is a sign indicating a ballistic missile launch from North Korea or other countries.

Washington has already told Tokyo that the US government would prioritize safeguarding Kadena base in Okinawa, which deploys F-15 fighter jets. The US military is also expected to deploy PAC-3s to Kadena. However, Japan will propose deploying them flexibly in the Tokyo area and other urban districts in the event of emergencies, since they are airliftable.

6) Gov't to explain Futenma relocation for local understanding:
Abe

ASAHI (Page 4) (Full)
February 15, 2006

The government will give thoroughgoing explanations to Okinawa and its local communities about its agreement with the US government to relocate the US military's Futenma airfield in the city of Ginowan, Okinawa Prefecture, to the prefecture's northern coastal city of Henoko, Chief Cabinet Secretary Abe told a news conference yesterday. "We'd like to provide full explanations about the agreement that has been reached so that we can obtain local understanding," Abe said. US Ambassador to Japan Schieffer remarked yesterday that the US government would respect local proposals and would flexibly respond to talks about changes to the Futenma relocation plan. However, Abe's remarks indicated that the Japanese government would make efforts for local consent

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to the current relocation plan.

7) Defense Agency will be upgraded to ministry next year: Kyuma

ASAHI (Page 4) (Full)
February 15, 2006

Fumio Kyuma, chair of the ruling Liberal Democratic Party's executive board, held a press conference yesterday, in which he remarked that the government is not yet ready to upgrade the Defense Agency to the status of a ministry. "The government does not appear to be well prepared to come up with a bill (in the Diet)," Kyuma said. "Even if the government introduces a bill (to the Diet at the current session), it might be carried over to the next ordinary Diet session after the Defense Agency submits its budget estimate this summer and after the budget is compiled at the end of the year," he said.

8) Opposition bloc to pursue government's responsibility in intensive Diet deliberations on US beef

ASAHI (Page 4) (Full)
February 15, 2006

The House of Representatives Budget Committee will deliberate on US beef imports for seven hours today. Prime Minister Junichiro Koizumi is scheduled to attend the afternoon session. The opposition bloc, including Minshuto (Democratic Party of Japan), is expected to question the propriety of the government's decision in December to resume beef imports and how it plans to lift the second ban on beef imports in the future. The committee is also scheduled to conduct intensive deliberations on the Livedoor scandal on Feb. 17.

In today's session, Minshuto lawmakers, such as Masahiko Yamada, who visited the United States on a fact-finding mission, are expected to pursue the government's responsibility for allowing substandard US beef to enter Japan, resulting in the second ban on US beef. A senior Minshuto member said, "We have two bombshells."

9) US beef imports: Investigation teams of LDP, DPJ split over evaluation of safety control; Lower House to hold Intensive deliberations on issue today

MAINICHI (Page 2) (Full)
February 15, 2006

The Liberal Democratic Party's (LDP) US beef import issue investigation team (led by Toshikatsu Matsuoka), which visited the US until Feb. 13., yesterday held a press conference at the LDP headquarters. The team presented a report on inspection results, which criticized the sloppiness of the safety control by the US Department of Agriculture (USDA) but concluded that meatpackers they have inspected were processing cattle in a strict manner so that specified risk materials (SRM) could not be mixed with meat for human consumption. The Democratic Party of Japan's (DPJ=Minshuto) investigation team also inspected the same companies from late last month through early this month. They came up with a negative view, noting that the way the plants had removed SRMs was slipshod.

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The LDP team visited meatpackers in Kansas, home to the beef industry, for five days and inspected meat-processing operations there. Matsuoka noted that there naturally were companies that gave priority to their products being safe. He then criticized the US government for the inclusion of SRMs in a Japan-bound shipment, noting, "The problem was the sloppiness of the US government, which authorized unreliable suppliers."

Regarding the inspection by the DPJ, some LDP members take the view that the DPJ's inspection results do not reflect the actual situation. DPJ chief Seiji Maehara during yesterday's news

conference raised doubts about the reliability of inspections by the LDP, rebutting, "The members of our team were all experts. They carried out inspections in a scrupulous manner." The Lower House Budget Committee is expected to hold today intensive deliberations on the reimposition of a ban on US beef imports. There is the possibility of the difference in the views of the two parties being discussed.

10) Agriculture minister tells Johanns by phone he sent questionnaire over OIG report

TOKYO SHIMBUN (Page 8) (Full)
February 15, 2006

Agriculture, Forestry and Fisheries Minister Shoichi Nakagawa held a telephone conversation with US Secretary of Agriculture Johanns last night. Nakagawa told Johanns that he has sent a questionnaire asking several questions. The questions include whether the meat-processing facilities authorized to handle Japan-bound meat are included among the facilities whose sloppy management was pointed out by the Office of Inspector General (OIG) early this month.

The OIG report noted that it was unable to judge whether specified risk materials that could transmit BSE were properly being removed at nine of the 12 abattoirs subjected to US inspections. The written question asks the US to explain the details of the recent Beef Export Verification violation.

11-1) Government, ruling parties to set Japan's prior inspection of slaughterhouses in US as condition for resuming US beef imports

NIHON KEIZAI (Page 1) (Full)
February 15, 2006

The government and the ruling parties decided yesterday that Japan would propose prior inspections of meat-processing facilities in the US by Japanese inspectors as a precondition for resuming US beef imports. It will soon start negotiations with the US on the resumption of imports. But in order to erase the growing concerns in the nation about the safety of US beef, the government now feels it is also necessary for Japanese experts to inspect slaughterhouses in the US.

Liberal Democratic Party Secretary General Tsutomu Takebe said yesterday: "It is necessary for Japanese inspectors to go to slaughterhouses in the US and inspect them." LDP member Toshikatsu Matsuoka, who visited such facilities, told reporters: "It might be necessary (for Japanese experts) to confirm if the slaughtering process is being properly conducted." The Japanese

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government will receive a report detailing measures to prevent any Beef Export Verification violations this week. Based on the report, Japan will engage in negotiations with the US. In the negotiations, Japan intends to insist that only meat-processing facilities inspected by a Japanese inspection team should be allowed to handle Japan-bound meat. The inspection team will be composed of mainly experts from the Ministry of Agriculture, Forestry, and Fisheries and the Ministry of Health, Labor, and Welfare. The team will check to see if such specified risk materials as the brain and spinal cord have been completely removed and whether processing records have been properly kept.

Under the bilateral agreement that restarted imports of US beef last December, the US government certifies processing plants that are allowed to export to Japan, and inspections by Japan are not required.

11-2) US beef may be checked by Japan before shipment

SANKEI (Page 5) (Full)
February 15, 2006

A Liberal Democratic Party (LDP) fact-finding delegation led by

Toshikatsu Matsuoka to study the issue of US beef imports gave a news conference of Feb. 14 at party headquarters. The delegation stated that at the time of resumption of US beef imports, "there needs to be checking (of shipments) by the Japanese government as much as possible," indicating that it would be necessary for the Japanese government to inspect the beef for safety prior to it being exported to Japan. In addition, Matsuoka gave this explanation about removing specified risk materials, which easily accumulate agents that cause BSE: "We confirmed that the places (meat-processing facilities they had observed) where beef was being processed strictly observed the rules."

12) Japanese consumers, meatpackers criticize OIE plan to ease standard restrictions on beef trade

ASAHI (Page 12) (Excerpts)
February 15, 2006

The Ministry of Agriculture, Forestry and Fisheries (MAFF) and the Ministry of Health, Labor and Welfare listened to views yesterday from domestic consumers and meatpackers about a plan by the World Organization for Animal Health, known as OIE, to ease standard restrictions on beef trade. The restrictions have been imposed as measures to prevent the risk of BSE. Many criticized the OIE's easing of its safety standards as an annual practice. One respondent said: "The organization has given priority to trade promotion over safety."

The government intends to express opposition to the proposal in the OIE's upcoming annual assembly, but a MAFF official commented: "Rules are adopted under the majority method. Under this system, rules advantageous for exporters of beef products tend to be adopted."

The OIE added boneless beef to the list of tradable products last year. Japan and European countries raised objections to this. As a result of debates, the OIE decided to attach these two conditions for allowing all countries to trade boneless beef: (1) only products from cattle up to 30 months of age are tradable;

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and (2) exported products should be free from any suspicion of BSE infection or such infection has not been confirmed.

The OIE included the conditions, reflecting the assertions of Japan and other importing countries. This year, however, it has proposed scrapping these two conditions. If the proposal is adopted, all countries will be allowed to export boneless beef without any restrictions as long as they abide by the requirement of removing specified risk materials that could transmit BSE.

Most of the OIE member countries are developing countries, many of which have farm and livestock products as their mainstay export items. In many cases, they have lagged behind industrialized countries in terms of technical levels in hygienic management. But the OIE has adopted the majority formula in principle. The total number of votes of developing countries and industrialized countries committed to exports of livestock products, such as the US and Australia, can affect the development of the OIE annual assembly. according to a senior MAFF official.

13) BSE issue forces 82 companies out of business in timeframe between Oct. 2001 and Jan. 2006: Total amount of debt reaches 80.2 billion yen

MAINICHI (Page 2) (Full)
February 15, 2006

The BSE-related bankruptcy statistics released yesterday by Teikoku Databank found that the number of bankruptcies of such companies as meat-processing companies and barbecue restaurants during a timeframe between Oct. 2001 and Jan. 2006, Jan., following the discovery of the first domestic BSE case, reached 82 with the total amount of debt at 80.2 billion yen. It was thought that the industry would break out of the slump, when US

beef imports were resumed last December. However, there has now appeared concern over an increase in the number of bankruptcies as a result of the reimposition of a ban in January.

According to the statistics, 22 companies went under in the second half of fiscal 2001 and 23 in fiscal 2002. As more companies shifted to imported beef, the number of bankruptcies fell to 4 in fiscal 2003. After a temporary lull, bankruptcies rose to 17 in fiscal 2004, following the introduction of a US beef import ban at the end of 2003.

In fiscal 2005, 16 companies have gone bankrupt as of January this year. There is still no prospect for resumption of US beef imports.

14-1) Post-Koizumi candidates reveal subtle differences in war views, foreign policy before Lower House Budget Committee; Aso cautious, as Abe displays originality

MAINICHI (Page 2) (Excerpts)
February 15, 2006

By Takashi Suto

At a Lower House Budget Committee session yesterday, committee members showered questions on two post-Koizumi candidates - Chief Cabinet Secretary Shinzo Abe and Foreign Minister Taro Aso -

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about their views of war and Asia diplomacy. Their answers were all innocuous and did not depart from government views. While Aso shied away from a clear-cut mention of Japan's post-Koizumi diplomacy toward China and South Korea, Abe spoke of his vision: "We need to devise a mechanism to prevent an escalation of trouble." Presumably keeping in mind the Liberal Democratic Party (LDP) presidential race slated for September, the two revealed subtle differences in their attitudes.

The first questioner was Katsuya Okada, former president of the largest opposition party Minshuto (Democratic Party of Japan). His questions started with this preliminary remark: "I'd like those who seem more likely to lead Japan in the future to answer my questions." In answering questions, Aso remained cautious, while Abe was more bold. Subtle differences were revealed accordingly.

When asked, "What will you do as the leader of Japan about policy toward China and South Korea if you intend to pay homage at Yasukuni Shrine?" Aso remained cautious about answering the question and noted: "It's difficult to answer such a question based on the premise that I will become prime minister." On the other hand, Abe came up with an answer that envisioned his future course, noting: "While paying attention to the movements of the rest of the world, we have to consider it from a medium- to long-term perspective." He thus revealed his eagerness to succeed Koizumi.

In response to the question, "Was the war a war of aggression?" Aso offered a model answer: "The so-called Murayama statement (in 1995 that expressed self-reflection on (Japan's) colonial rule and aggression) is the government view. The foreign minister's view conforms to it." Asked about the Tokyo Tribunal of War Criminals (Tokyo Trials), Aso replied: "We accepted the decision in the San Francisco Peace Treaty. That's all there is to say."

Meanwhile, Abe hinted that how to view it could change depending on the situation, noting: "We need to think what parts of the war we will deal with and how." On the Tokyo Trials, Okada said, "The Japanese government is bound by the court decisions." But Abe responded emotionally: "It sided with the General Headquarters (GHQ)." And he revealed dissatisfaction, noting: "Japan could not have recovered its independence if it had not accepted the peace treaty. Japan owes what it is now to an agonizing decision at the time."

Replies by Abe and Aso

- ¶1. Historical perception of WWII
- ¶2. Evaluation of the Tokyo Trials
- ¶3. Asia diplomacy

Chief Cabinet Secretary Abe

- ¶1. From the government's position, I should not say this or that as though I am a judge in the court of history.
- ¶2. Japan could not have become independent if it had not accepted (the San Francisco Peace Treaty that accepted the Tokyo Tribunal's decision). Accepting it was an agonizing decision for Japan.
- ¶3. Trouble could occur on the political front, but it is necessary to create a mechanism to prevent the escalation of trouble.

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Foreign Minister Aso

- ¶1. I have stated that the government view is that the war was a war of aggression.
- ¶2. The San Francisco Peace Treaty accepted the decision. As a member of the government, I am not in a position to comment.
- ¶3. Japan can hold summits with Asian nations other than China and South Korea. Just because some are bad does not mean that all are.

14-2) Foreign minister's history-related remarks under fire at home and abroad

MAINICHI (Page 2) (Full)
February 15, 2006

By Takuji Nakata

Foreign Minister Taro Aso remained cautious during the Lower House Budget Committee session, but he is facing growing criticism at home and abroad for his recent remarks on history. Referring to relations with China and South Korea, Aso has stated: "Just because portions are bad doesn't mean that everything is bad." However, the remarks of the foreign minister are presenting obstacles for a government looking to improve relations. This may explain in part Aso's cautious stance.

His recent remarks include such statements as: "The best way would be for the Emperor to visit (Yasukuni Shrine)"; and "Japan introduced compulsory education into Taiwan (when it was under Japan's rule). As a result, the academic level there has improved tremendously."

The Feb. 13 edition of the New York Times blasted Aso, writing, "His sense of diplomacy is as strange as his historical perception." The Feb. 14 edition of North Korea's government paper Minju Choseon said that Aso is jockeying for position in the party presidential race by trying to boost his political popularity."

A diplomatic source expressed concern, saying: "Because Japan-China summit talks have stopped, it has become important for the foreign ministers to meet. But if a foreign ministerial meeting were held at the wrong timing, the result would be serious." However, there is no prospect of foreign ministerial talks being resumed. Aso's remarks have also been criticized by senior members of the New Komeito and others.

15) SDP's Fukushima says, "SDF's Iraq mission is unconstitutional," but DPJ President Maehara warns, "Such might give rise to misunderstanding that the party has returned to its old self"

ASAHI (Page 4) (Full)
February 15, 2006

Social Democratic Party (SDP) head Mizuho Fukushima called on Democratic Party of Japan (Minshuto) President Seiji Maehara yesterday in which she repeatedly said, "The Self-Defense Forces'

mission in Iraq is unconstitutional, isn't it?" Fukushima's courtesy call on Maehara followed the SDP's party convention, which had adopted a platform describing the existence of the Self-

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Defense Forces as unconstitutional. In response to Fukushima's remarks, Maehara simply said: "The expression (that the current situation is unconstitutional) might give rise to a misunderstanding that the SDP has returned to (the now defunct Social Democratic Party of Japan). (Former Prime Minister and SDPJ Chairman Tomiichi) Murayama also said that he didn't want to get involved in it." Maehara has opposed the deployment of SDF to Iraq for such reasons as that there was no such area as a non-combat zone in Iraq. Fukushima apparently wanted Maehara to share the SDP's view that the SDF is unconstitutional in the current situation.

To begin with, Maehara is a constitutional revisionist who wants to apply the brakes on the activities of the SDF. His view completely differs from the SDP's standpoint to confine the SDF within the framework of the current Constitution. Fukushima's approach was inappropriate in the first place.

16) Prime Minister rebuts criticism of growing income disparity in Japan

SANKEI (Page 5) (Excerpt)
February 15, 2006

Prime Minister Junichiro Koizumi last evening met with top business leaders, including Nippon Keidanren Chairman Hiroshi Okuda, at a Tokyo hotel. According to an attendee, the Prime Minister responded to criticism that income disparity was growing in Japan because the structural reforms he has himself promoted served to boost competition. He rebutted: "If there was excessive competition, the economy simply could not grow." In response to it being pointed out that the reason for the Livedoor scandal lay in the excessive deregulation, the Prime Minister stressed: "That kind of thinking is completely wrong."

17) Former National Land Agency chief Ito asked senior IRC official last June to meet Huser President Ojima regarding IRC's hotel auction

MAINICHI (Top Play) (Excerpts)
February 15, 2006

It was learned yesterday that former National Land Agency Kosuke Ito asked last June a senior Industrial Revitalization Corporation (IRC) official to meet the developer Huser President Susumu Ojima, who desired to make a successful bid for IRC's hotel auction. Ito had introduced Ojima, who has now been accused of the earthquake-resistance data scan, to a senior Land, Infrastructure and Transport Ministry official. The IRC reportedly did not help Huser win the bid, but the company actually won the bid. It has not become clear that Ito repeatedly asked officials concerned for help for the sake of Ojima.

Ito has admitted that he asked a IRC official to meet Ojima, responding through his office and a his family member to questions by this newspaper:

"Since Huser President Ojima told me that he wanted to question the IRC about Seishin Oriental Hotel, I got in touch with an IRC official and asked him to respond Ojima's questions. I regard what I did as a kind of lobbying activities."

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The planning and coordination office head of the IRC, who was asked by Ito, said, "We cannot respond to individual claims, but we do sometimes respond to references from politicians and companies. "

According to those involved, Ito made a telephone call in early June last year to the IRC's planning and coordination office head to ask him to meet Ojima. After that, the ROC official met with Ojima and Huser employees. Ito did not accompany them, however.

SCHIEFFER